

May 15, 2014

To the Board of Selectmen  
Town of Newton, New Hampshire


In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Newton, New Hampshire for the year ended December 31, 2013, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion regarding this matter. We previously reported on the Town's internal control structure in our report dated May 15, 2014. This letter does not affect that report or our report on the basic financial statements dated May 15, 2014.

We have already discussed this comment and suggestion with various Town personnel, and we will be pleased to discuss this in further detail at your convenience, to perform additional study of the matter, or to assist you in implementing the recommendation.

The purpose of this letter is to provide constructive and meaningful recommendations to you.

Sincerely,



Vachon Clukay & Company PC

## **CONFLICT OF INTEREST**

### ***Observation***

During the year ended December 31, 2013, the Town of Newton's Board of Selectmen consisted of three individuals. Through inquiry, we noted that one of the Town's Selectmen engaged in related party transactions whereby a business owned by the Selectman rendered services to the Town.

Town procedures require a majority of Selectmen to authorize and approve the checks to be paid from the finance office. In several instances throughout the year, we noted that this Selectman approved manifests for payment that included checks issued to his business. We further noted that only two of the Selectmen were present to authorize these disbursements resulting in a conflict of interest by this Board member.

### ***Implication***

Payments are being issued for related party services without approval from a majority of the Selectmen that have no financial interest.

### ***Recommendation***

We recommend that the Town's Board of Selectmen adopt a conflict of interest ordinance in accordance with RSA 31:39-a. This ordinance would allow the Board to define and regulate conflicts of interest for local officers and employees, whether elected or appointed.

**REPORT ON INTERNAL CONTROL BASED ON  
AN AUDIT OF BASIC FINANCIAL STATEMENTS**

To the Board of Selectmen  
Town of Newton, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Newton, New Hampshire (the Town) as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Selectmen, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
May 15, 2014